

Lessons from Australia

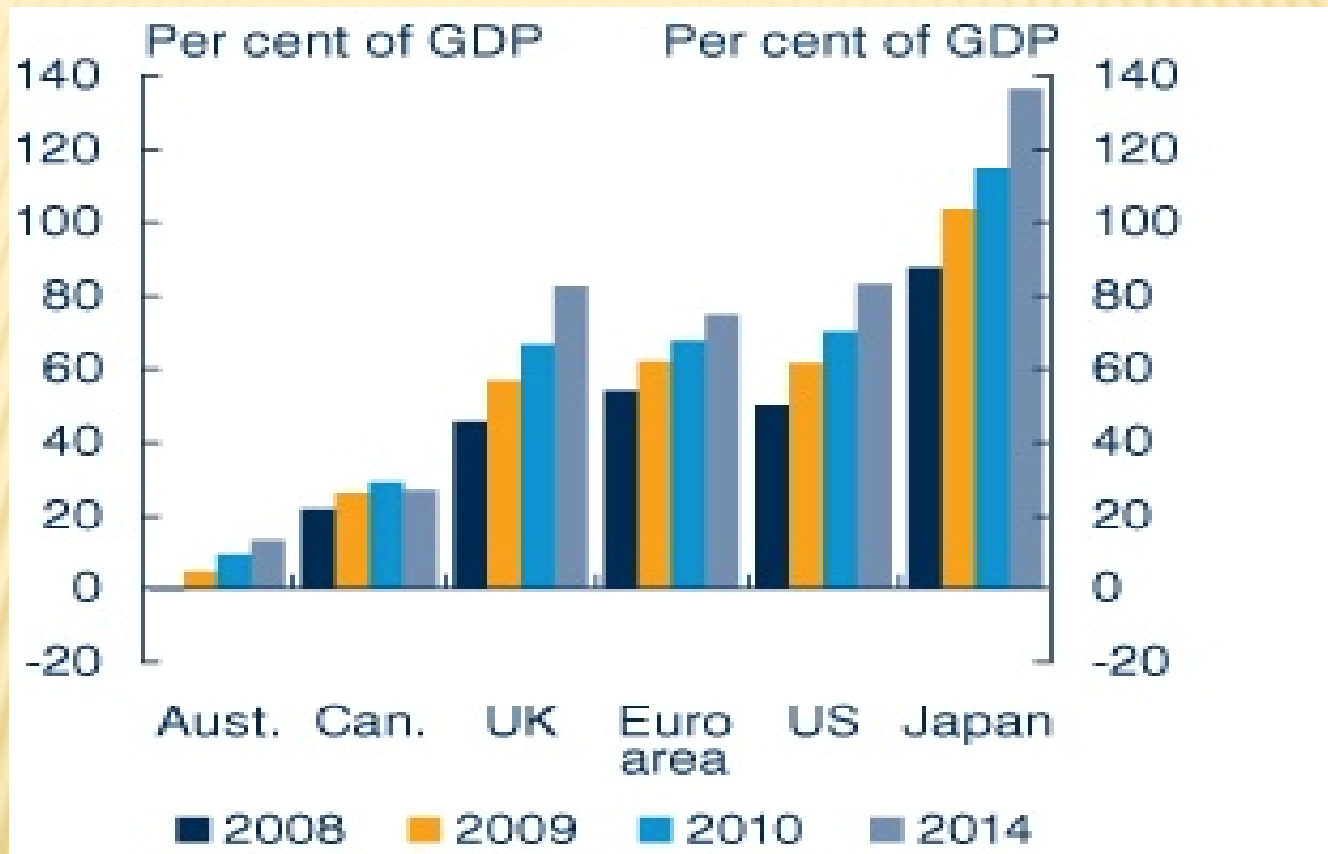
PRIVATISATION OF PUBLIC SERVICE DELIVERY

THE AUSTRALIAN ECONOMY: SNAPSHOT

✘ Size GDP	US\$1056b
✘ Economic growth	1.75%
✘ Unemployment	5.5%
✘ Inflation	1.5%
✘ Net public debt	0
✘ Size of the government sector	35%

NET PUBLIC DEBT: AUSTRALIA

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THE AUSTRALIAN SETTLEMENT

- ✘ Industry protection
- ✘ European migration
- ✘ Social protection: through centrally determined wage fixation, including a basic wage

PRIVATISATION

Types of Privatisation	Privatisation Technologies
Substitution for public ownership	Divestment Withdrawal
Substitution for public service delivery	Outsourcing Liberalisation
Substitution for public funding	User pays

PRIVATISATION MOTIVES

- ✘ Pragmatic: cost-benefit analysis of preferred providers, public or private
- ✘ Tactical: privatisation as a vehicle for other policy goals e.g. enhancing the indigenous IT capacity or 'making local government more business-like'
- ✘ Systemic: radical change in power structures e.g. reducing the size of government; disempowering unions

Source: Feigenbaum et al

PRIVATISATION AND LABOR 1983-1996

- ✘ The 'banana republic' of 1986
- ✘ Liberalising the economy: removing many restrictions on foreign investment, competition in banking, industry-level wage fixation, floating \$A, unilaterally reducing tariffs, micro-economic reform
- ✘ Divestment of enterprises which were in contestable environments and which had few community service obligations (Commonwealth Bank, Qantas)
- ✘ Some universal provisions replaced by user-pays (HECS) or means-tested (child endowment) and outsourcing planned e.g. IT
- ✘ Divestment yielded A\$6b

PRIVATISATION AND HOWARD: 1996-2007

- ✘ Howard's views
 - + Enhancing individual choice
 - + Capital-owning democracy
 - + Suspicious of what government can really do
 - + Value of small government
- ✘ Privatisation communication policy

DIVESTMENT

- ✘ Yellow pages test
- ✘ The 'hit list' and the divestments of the late 1990s: airports, national rail, statutory marketing authorities, administrative services (including property), ADI, Telstra etc valued at A\$85b
- ✘ Proceeds to social programs, liberating net public debt and the futures fund
- ✘ Concerns with AWB, airports, property

OUTSOURCING

× Cases

- + IT outsourcing in 11 clusters
- + Jobs network

× Experience

- + Contestable markets and the 'flood'
- + Service quality
- + Gershon review
- + TSO involvement

USER-PAYS

- ✘ Cost recovery guidelines
- ✘ User-pays program payments: co-payments in health; HECS scheme; child care
- ✘ Public subsidy to private users: health, education

SOME LESSONS

- ✘ Public debt reduced (divestment as part of broader strategy)
- ✘ Privatisation as a key element of the reform program of governments of both left and right
- ✘ Systemic motivations have proved to be more problematic than the pragmatic, case by case approach
- ✘ So much of the privatising activity has located around the question of 're-examining what government should do and pay for, what it should pay for but not do, and what it should neither do nor pay for'
- ✘ While the size of the state has only marginally reduced the state has been reshaped from one which relied heavily on collective activity to one where individuals are more the locus of decision making i.e. economic individualism
- ✘ This has implications for the long-term sustainability of public institutions in the light of the facilitation of private choice and the possibility of what Bozeman calls 'public value failure'.